

**EFFECTS OF PROCUREMENT PRACTICES ON ORGANIZATIONAL
PERFORMANCE WITHIN THE PUBLIC SECTOR: A CASE OF EAST AFRICAN
PORTLAND CEMENT COMPANY LIMITED.**

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DECLARATION

I hereby confirm that this research project is my original work and has not been submitted for review or award of a degree in any other University.

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Bml/8/00183/2/2014

Signature

Date

This research project has been submitted for examination with my approval as the University
Supervisor

Dr. Paul Machoka

Signature

Date

DEDICATION

I dedicate this research study to my wife for her tireless motivation throughout the entire study period and especially during this research project.

ACKNOWLEDGEMENT

I owe special thanks to God and sincerely acknowledge the assistance of my supervisor Dr. Paul Machoka for his direction, patience and support for the duration of this research. To my parents, I am indebted for their support and encouragement that has brought me this far, may the Lord bless the work of their hands. My appreciation goes to the entire community of The Management University of Africa for the favourable learning environment.

ABSTRACT

According to Sollish and Semanik (2012), procurement refers to events handled by a company for proper management of the supply chain. Manufacturing organizations should readjust their procurement practices with the aim of enhancing efficiency and promoting environmental conservation. Interviews were conducted, data collected and analyzed and finally recommendations were made based on the results. This research focused on achieving efficiency and effectiveness within the procurement department so as to improve overall organizational performance. This study's objective was to determine how organizational performance is affected by procurement practices. Questionnaires were used as a form of data collection. The study population for this research were the finance and procurement employees of the East African Portland Cement Company Limited. This research embraced a descriptive design, which depicts participants in an accurate way; it describes the people who take part in the study. A survey was used and staff from the procurement and finance departments were asked to fill out questionnaires through a brief interview about specific topics. Primary data was collected through questionnaires that focused on staff from the procurement and finance departments. 46 questionnaires out of a total of 58 were satisfactorily filled signifying a 79 percent rate of reply. Data collected is presented using tables, charts and graphs. The study recommends the building of robust relationships with key suppliers to guarantee unfailing supply and quality of inputs. Manufacturing companies must assess where their greatest investments are made and the benefit procurement can bring to each category. After significant investments are made in machinery, equipment and facilities, the next largest investment should be made in inventories. This is where the organization can produce savings through more efficient production, better utilization of floor space, better service and products to customers.

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LIST OF ABBREVIATIONS

EAPCC	East African Portland Cement Company
ERP	Enterprise Resource Planning
ICT	Information Communication Technology
JIT	Just In Time
KPI	Key Performance Indicators
RBV	Resource Based View
TQM	Total Quality Management

OPERATIONAL DEFINITION OF TERMS

Logistics	Movement of assets, information and products between origin and consumption.
Procurement	Selection of suppliers, vetting, determining payment terms, contract negotiation and the actual buying of products or services.
Supply chain	The structure of organizations, individuals, resources, goods and services and information involved in moving goods and services from vendors to consumers.

CHAPTER ONE

INTRODUCTION OF THE STUDY

1.1 Introduction

Procurement has seen a lot of growth leading to the formation of procurement related bodies such as the Kenya Institute of Supplies Management and the Chartered Institute of Purchasing and Supply. There has been increased pressure for the merging of procurement procedures and objectives with the organization's goals. The supply chain has been directly linked to the overall company performance and this has therefore made procurement practices vital to company success. Procurement practices positively impact an organization's financial performance, the success of a new product depends on procurement and supplier involvement. Most organizations use a substantial amount of their income in procurement and therefore recognize the importance of strategic procurement practices Carr and Pearson (2002). Directors and heads of procurement department greatly influence supplier evaluations and the drafting of specifications to ensure the organization gets the best value for its money.

1.2 Background of the Study

Massive changes are occurring in the operating models and marketing strategies of public sector organizations. Procurement greatly impacts how an organization achieves its objectives. According to Leenders et al (2008), purchasing adds value to the organization. Procurement practice is an area that can be improved to further contribute to organizational performance. Organizations tend to choose procurement procedures that are familiar to them; they should instead choose the ones most suited and most beneficial to their organizations success. Narasimhan and Kim (2002), states that there has been increased pressure for purchasing integration. Purchasing integration links purchasing practices to organizational performance Gattorna, 2006). The direct link of operational efficiency and supply chain to organizational performance therefore means that the adoption of procurement practices is crucial to organizational success. Consolidation of the entire procurement process leading to the implementation of procurement practices such as, green purchasing, just in time delivery (JIT), total quality management (TQM) and e-procurement is necessary so as to boost the overall organizational performance. Streamlined procurement systems lead to efficiency and increases the confidence of employees, customers and stakeholders of the organization. Shifting away

from traditional purchasing and moving into modern and more efficient procurement practices leads to continuous improvement and benchmarking. This is where an organization measures itself against the leading organizations in its class. Procurement is no longer a process but a strategic function in the organization, it reduces cost and achieves maximum savings for the organization. Organizations should always benchmark against the 'best in class' and implement continuous improvement in its processes (Guth, 2010). Some of the procurement practices that organizations can engage in include: commitment to green purchasing, commitment to just in time delivery, commitment to total quality management and e-procurement. Organizations must broaden their view of productivity from the predictable company oriented view to a dual company - customer perspective.

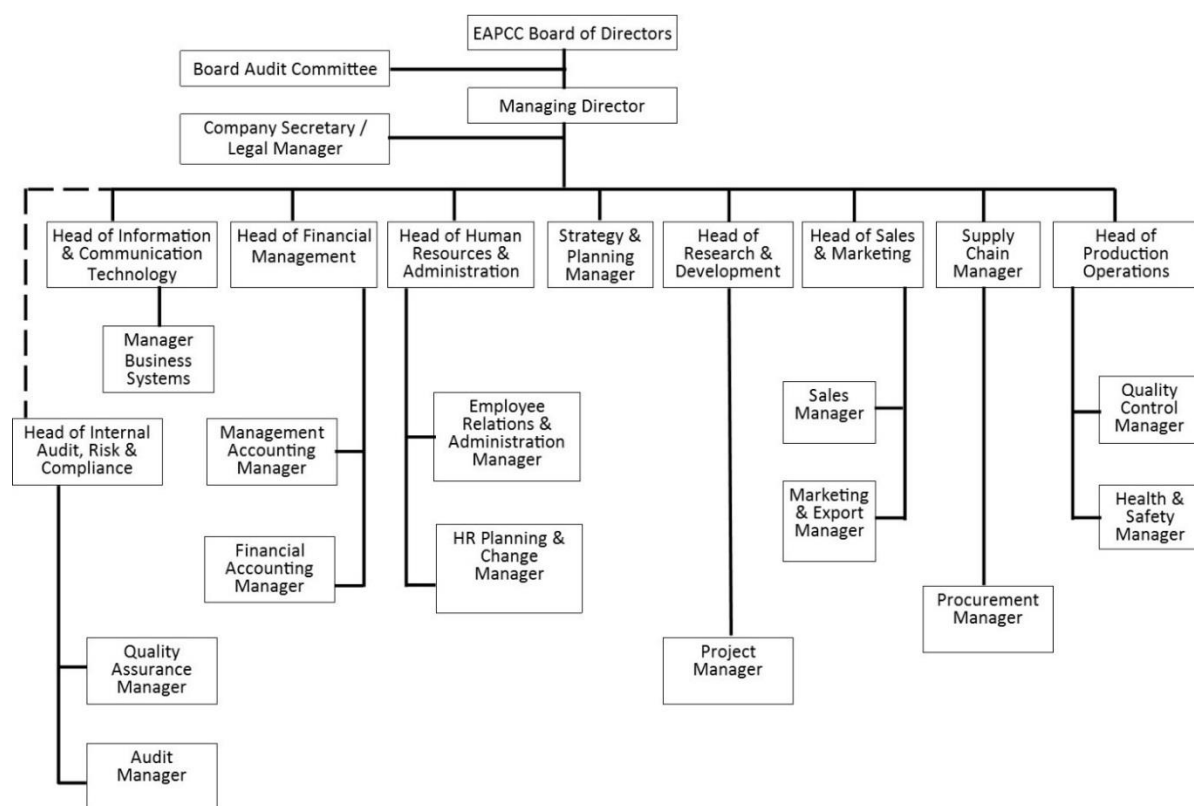
Procurement should be deeply involved in the design and implementation of Sustainable Procurement Policies focusing on how Environmental issues and issues relating to other aspects of Society and Economy can be integrated in the procurement process activities (Hsu & Hu, 2008). Considering a wide variety of performance measures is important when defining organizational performance. Organizational performance should be measured under various perspectives; these include quality, efficiency, productivity, profitability and sustainability. Procurement practices should be looked at as part of organizational strategy. Procurement should be involved in the budgeting process, supplier choice and consolidation, concern for the environment and issues touching on quality and technological advances. Stakeholders are increasingly demanding that organizations should address and manage the environmental and social issues that impact their organization (Carter, 2011). Procurement managers are best positioned as they can positively or negatively impact social performance and the environment through performance evaluation and supplier selection. East African Portland Cement Company Limited plays a vital role in Kenya's economy by creating employment for a large number of citizens. The government should therefore provide incentives for them to have better and profitable working environments. These may include advancement of long term working capital at subsidized interest rates and provision of cheap raw materials for their manufacturing sector.

1.2.1 Profile of East African Portland Cement Company Limited

East African Portland Cement Company Limited, also referred to as EAPCC, is a manufacturing company based in Kenya. It focuses on the manufacture and sale of cement and other products associated with cement production. It was founded in 1933 by Blue Circle Industries and it's based in Athi River, Machakos County. EAPCC began by trading with

cement imports from England working under Blue Circle Industries. EAPCC was incorporated in the Republic of Kenya in the year 1933, another branch of the company is located in Uganda. EAPCC first location was in Industrial Area, Nairobi, at the time producing 60,000 tonnes. Its headquarters in Athi River was constructed in 1956 and commissioned two years later in 1958. In 1958, production had doubled to 120,000 tonnes annually. The company's budget currently stands at 1.3 million tonnes per annum and currently produces one million tonnes per annum. The company has constructed a power plant of four megawatts that utilizes gases that would otherwise go to waste. This power plant saves the company Kenya shillings 300 million per annum.

Figure 1.1 EAPCC Topline Organization Structure



Source: EAPCC (2017)

1.3 Statement of the Problem

An organization's purchasing department remains under pressure to achieve financial savings through efficient and coordinated service delivery. Organizations are nowadays increasing their professionalism and efficiency in the procurement process. Hassanzadeh and Jafarian, (2010), noted that procurement practices are strategic and are intended to increase the organization's productivity, identify better sources of supply and reduce raw materials prices and costs. Procurement practices lead to improvements in information and material flows, and are viewed as strategic functions that work to improve the organization's profitability,

identify better sources of supply and reduce raw material prices and costs. Environmental pollution has led procurement to further realign its functions so that it can be able to conserve the minimal resources available. Green procurement's idea is to minimize or completely eliminate unsafe discharges and excesses across the supply chain, Hervani, Helms, and Sarkis, (2005). East African Portland Cement Company Limited should embrace the use of procurement practices such as electronic procurement and the employment of professionals as they focus on achieving competitive advantage. Organizational performance is improved when Information Technology is implemented in procurement. Factors that may hinder this implementation may include; employee resistance to change, failure by top management to allocate the required resources and lack of finances. The business environment is changing at a very high rate because of technological advances and procurement managers have to go along with the pace and ensure that all manner of procurement is environmentally friendly. EAPCC faces challenges that include, the high cost of electricity, raw materials that are being depleted day by day and the environmental issues caused by the mining of raw materials. The key polluting substances are dust and carbon dusts. Madhavaram and Hunt (2008), high degree of procurement best practices leads to cost reductions, better material flow, improved inventory, financial performance, better customer service and new product development. EAPCC has integrated cement production with biodiversity enhancement. They believe in the need to bring back nature to what they have removed, so as to strike a mutual balance between nature and development. EAPCC has initiated greening programs which are aimed at rehabilitating the mined out quarries and establishing green zones to act as buffers for dust trapping and carbon sinks for gaseous emissions.

1.4 Objectives of the Study

1.4.1 General Objective

The main objective of the study was to establish the effects of procurement practices on organizational performance within the public sector.

1.4.2 Specific Objectives

The specific objectives of the study were:

- i. To establish how supplier selection procedures affect organizational performance within the public sector in Kenya.
- ii. To analyze the effects of buyer-supplier relationships on organizational performance within the public sector in Kenya.
- iii. To evaluate the role of e-procurement on organizational performance within the public sector in Kenya.

- iv. To establish the effects of green purchasing on organizational performance within the public sector in Kenya.
- v. To investigate the effects of total quality management on the performance of public organizations in Kenya.

1.5 Research Questions

This research was aimed at giving solutions to the following questions:

- i. How buyer-supplier relations affect organization functioning of government owned companies in Kenya.
- ii. How supplier selection procedures affect organizational performance within the public sector in Kenya.
- iii. How e-procurement contributes to overall organization performance of publicly owned enterprises in Kenya.
- iv. How green purchasing affects the performance of government owned enterprises in Kenya.
- v. How total quality management implementation enhances organizational performance of publicly owned enterprises in Kenya.

1.6 Significance of the Study

1.6.1 Management of EAPCC

The research examined the effects of procurement practices on organizational performance, and how management formulated strategies that enhanced efficient procurement practices.

1.6.2 The Government of Kenya

The government as a shareholder benefits in terms of increased organizational performance. The results and proposals of the research will create value in the organization's products and services and the procurement departments will gain insight on how to identify hindrances and loop holes to the achievement of their objectives.

1.6.3 The Manufacturing Sector

End users will benefit from the variety of products and services offered that satisfy their needs and also from the enhanced consistency. It will also be easy to detect procurement malpractices.

1.6.4 The Researchers/Academicians

The study findings will be used to introduce positive reforms in procurement within the public sector and will also assist in rationalizing the acquisition of raw materials. This study will also assist academic researchers do further studies on how to enhance organizational performance by improving procurement efficiency and effectiveness.

1.7 Limitation of the study

The research limits itself to information provided by the staff in the procurement and finance departments. This information will be used as the accurate information reflecting what exactly happened when undertaking the project. Confidentiality regarding data to be collected was also another hindrance in conducting the research. The researcher did as much as he could to encourage the members of staff to disclose the information.

1.8 Scope of the Study

The research was done at East African Portland Cement Company Limited Headquarters in Machakos County. This study targeted procurement and finance employees of East African Portland Cement Company Limited. The research commenced in June 2017 and was finalized in the month of August 2017.

1.9 Chapter Summary

This study will assist manufacturing companies take advantage of procurement practices to improve their profitability and productivity. Consumers will also benefit from better services, increased variety of products and consistency of operations. The study will develop greater understanding of procurement procedures and its impact in the manufacturing industry in terms of work performance, innovation, environmental performance, efficiency and quality. Top management will also benefit from better formulation of effective strategies to tackle procurement failures and inefficiencies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Balanced Score Card and Resource Based Theories will be reviewed in this chapter. This chapter explains how procurement practices affect organizational performance. The study focuses on how information technology affects the control mechanisms in procurement network and its effects on organizational performance.

2.2 Theoretical Review

2.2.1 Balanced Score Card Theory

Kaplan and Norton (1992), developed the balanced score card so as to decrease the dependence on outdated accounting methods. Organizations should integrate non-financial measures to improve efficiency. The balanced score card breaks down an organization's mission into specific quantifiable objectives. Balanced Score Card is an all-inclusive approach that evaluates an organization's performance to ensure predictability and proper steps taken to build the preferred future (Kaplan & Norton, 1992).

This study assesses operational costs, customer satisfaction and retention and cost analysis in procurement. It will also measure employee satisfaction, retention and information system performance through learning and growth analysis. The implementation of procurement best practice needs support in terms of finances, end clients, in-house processes together with the companies top management. The Balanced Score Card performance management concept links a company's strategy with managerial actions.

Balanced Score Card best practices for procurement

When planning cost reduction, ensure that the reduction will have a positive effect on finances, end clients, internal processes and company's growth. Focus should not only be on Key Performance Indicators (KPIs), but also on other parts of the business. Only 30% of KPIs are financial the remainders will focus on end clients, internal processes and the company's growth. The Balanced Score Card process should be measured and it must meet the organizations final goal. KPIs should follow strategy. KPIs ensure strategies follow the right track in line with the company's strategy. Cost control plans will be more reasonable and clearly understandable if they are linked to the company's strategy and controlled with result-oriented KPIs.

2.2.2 Resource Based Theory

Resource based theory identifies and analyzes an organization's strategic advantages that will in turn be a source of competitive advantage. These competitive advantages may be organizational, human or financial and their advantages are conferred based on their rareness, uniqueness and value. Resource Based Theory emphasizes that competitive advantage in organizations is determined through proper planning and functioning of procurement. Peteraf and Barney (2003), states two assumptions used in analyzing competitive advantage using this theory; one, firms within the same industry may have diverse resources and the other, believes this dissimilarity in resources may continue for a long duration.

A resource becomes a competitive advantage when it is inimitable. If all organizations in an industry have the same resources there would not be any competitive advantage available Cool *et al* (2002). Resource efficiency enables procurement achieve more with less. According to Barney (1991), resources enable firms improve efficiency and save on unnecessary costs.

Procurement practices should be uncommon and difficult to imitate, for example sourcing processes. Both operational and organizational functioning are incorporated in Resource Based View. Organizations that purchase internationally, function well at the business level. Uncommon resources keep away the competition and enable organizations achieve higher profits. ERP systems are expensive to install and not all companies have embraced their use, this means that companies that have already installed it are a step ahead of the competition. Effective Collaboration contributes to sourcing performance by capturing additional value for end users through effective collaboration with suppliers and supplier involvement in the development of product specifications. Sourcing positively impacts procurement by enabling better performance. This is achieved by casting the net wide enough so as to achieve the best possible deal. As products mature and value shifts innovation takes place.

2.3 Critical review

E-procurement benefits come from deliberate moves by the organization to promote the complete use of this technology (Ramayah *et al*: 2006). More investment in training and skills enhancement should be provided by the organization to members of staff so as to fully achieve the benefits brought about by the adoption of this technology. Mabert *et al*. (2003) noted that many challenges facing the development of skills and knowledge of the procurement team manifest itself clearly under cultural factors externally and internally especially when the employees exhibit resistance towards using an electronic system that takes away some of the negotiation powers in dealing with regular suppliers and fear of

losing their job as a result of the process automation.

Nurmilaakso (2008) states that the supply chain is a bidirectional movement of products, funds and communication amongst buyers and sellers through various intra-organizational functions, directly or indirectly affected by supply performance. Organizations have the potential to gain most favourable support of business functions and contribution through effective and efficient use of e-processes and network based communications. Cordial buyer-supplier relationships in procurement builds trust and reduces transaction costs brought about by the interactions in cases where there is information asymmetry, (Erridge and Nondi, 1994). Greater collaboration with suppliers creates access to information not readily available in the organization allowing for better decisions to be made when drawing up specifications, Uyarra (2010).

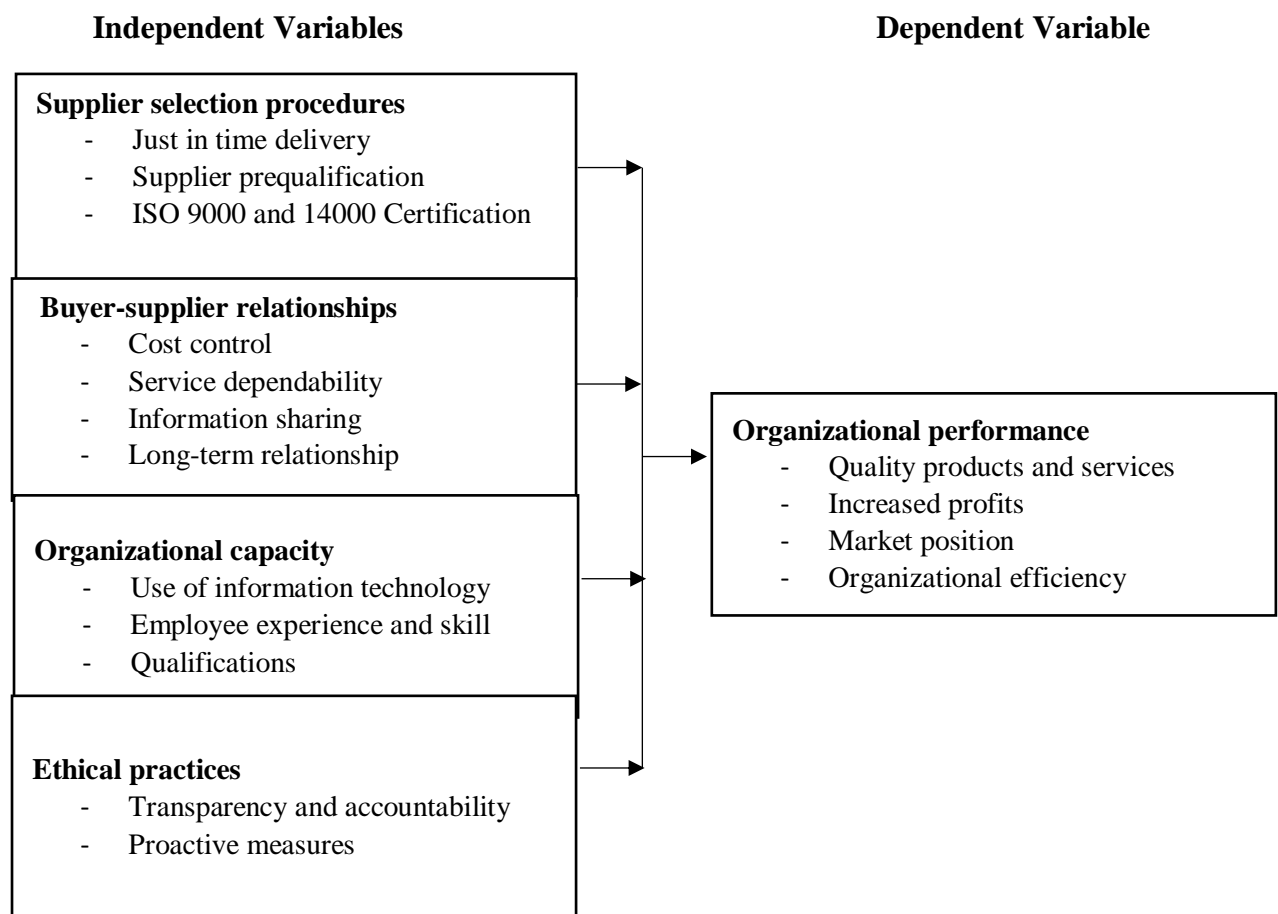
Engaging in market differentiation encourages companies to adopt sustainable procurement strategies, Belfit et al. (2011). Organizations will therefore want to use supply chain strategies that will enable them gain competitive advantage. Organizations in this day and age fear being categorized as unethical or having unsustainable strategies, strong media attention and growing awareness among consumers requires inclusion of sustainability in sourcing decisions, Jonas and Tom (2014). Information technology software should contribute to environmental conservation, such as the use of e-procurement which promotes less destruction of forests. Computer hardware should be able to support up to date software and have options for system upgrades so as to avoid unnecessary early disposals. Throwing off equipment that is still useful to the organization builds up waste that can be avoided.

Nzau and Njeru (2014), states that allocation of more resources and equipment to procurement department positively improves on its capabilities and the output it provides to organizations. Productively managing the procurement function enables organizations realize cost savings when servicing contracts. Being able to distinguish between quality and low quality vendors improves the overall supply chain and ensures that suppliers who don't meet their contractual obligations are blacklisted and penalized.

2.4 Conceptual Framework

Conceptual frameworks are basic structures representing the systematic characteristics of a system being considered. (Bogdan & Bilken 2003).

Figure 2.1 Conceptual Framework



Source: Author (2017)

Supplier Selection Procedures

The study's aim was to determine how supplier selection procedures influence the effectiveness of procurement practices in companies within the public sector and in this case, East African Portland Cement Company Limited. The study tries to find out whether there is adherence to procurement laws and regulations such as the Public Procurement and Disposal Act 2005 and Regulations 2006 and if there is Just In Time delivery of products and services, proper pre-qualification of suppliers, Request for Quotations and ensuring all suppliers have achieved ISO 14001 certification.

Buyer – Supplier Relationships

This study ascertains to what level buyer-supplier relationships influence procurement practices of companies within the public sector and specifically East African Portland Cement Company Limited. The study determines the level of buyer-supplier relationship in terms of cost control, seamless information sharing, long-term relationships and dependability in terms of service and product delivery.

Organizational Capacity

This determines the level of experience and efficiency of the procurement and finance staff and how they contribute to organizational performance through procurement. Their qualifications will contribute to function effectiveness. This research reveals the uptake of information technology tools in the organization as a whole and specifically in the finance and procurement departments.

Ethical practices

The study establishes the level of integrity in the procurement and finance department. The elevation of procurement as a core task empowers purchasing managers to spend huge amounts of money in the purchase of products and services. (Bastian and Zentes, 2010). This has in turn presented a range of moral predicaments concerning dubious procurement procedures. The research examines the proactive measures taken by the company to prevent any unethical practices in the procurement and the finance departments. Good ethical practices enhance an organization's integrity and reputation, it also creates relationships that are mutually beneficial with fair practice and trust.

Procurement Practices

Procurement practices aim at ensuring that organizations get value for money when committing their expenditure. This involves the firm meeting its strategic objectives by purchasing the required goods and services from the right suppliers in an efficient manner.

Timeliness, user integration and process efficiency are used as indicators to measure green purchasing. Procurement plans in the long run helps organizations save costs and organizations that purchase items without a procurement plan in the end incur a lot of costs. Money spent to boost service levels in the long run increases market share and business performance. Cost savings are achieved through procurement of quality goods and services, economies of scale and the reduction of products in stock. The use of information technology in procurement, quickens order fulfillment and improves purchaser supplier relationship. Procurement practices reduce the amount of resources allocated, increases profitability and improves the quality.

Green Purchasing

This involves procuring products that contribute to better environmental conservation. Companies with better environmental practices realize higher profits compared to those which disregard environmental conservation. Environmental practices enhance a firms profits, Reinhardt (1999).

Tangible benefits achieved by embracing green purchasing are reduced environmental risk, market share gained, enhanced reputation and overall cost efficiency. This can be achieved by reducing supplier generated wastes and surplus production and this savings are in turn passed along to the end users in terms of reduced prices. Originality differentiates one company from the rest and suppliers can achieve this through the use of cleaner technologies. Suppliers with environmentally friendly products increase their reputation among customers, employees, stakeholders and investors. Benefits include easy compliance with environmental regulations, reduced risk of accidents, lower health and safety costs among others.

Supplier Partnering

This is the relationship between organizations and its suppliers and it helps organizations achieve strategic and operational ongoing benefits. This is a long-term partnership that encourages problem solving and mutual planning among the parties concerned. Increased reliance on suppliers has its drawbacks in terms of delayed deliveries and also inferior quality products. Strategic supplier partnerships are an added value to the organization, whose main aim is to meet the needs of the customer. Buyer-supplier collaborations ensure products are delivered just when they are needed so as to reduce on costs of storage and security. Benefits that result from collaborative relationships come in the form of an organizations ability to engage suppliers and other partners in mutually beneficial activities, Chin-Chun (2008).

Information sharing with suppliers enhances quality, cost savings and faster delivery times, Janda et al., (2002). Any innovations from the supplier's side should not deviate from the organizations specifications, Brown et al (2001).

Adoption of Information Communication Technology

Procurement processes using information technology are able to shorten the time taken to share and process information. Use of information technology in procurement enables the coordination of business processes both within and outside the organization. Examples include; electronic ordering, online catalogue and online payment. Organizational performance is enhanced by improved productivity and faster response times. Real time communications also enable faster transactions and saves on time. Electronic procurement allows ordering and approval of all transactions in a shorter time span compared to manual requisitions (Lewis and Roehrich, 2009).

Information Communication Technology (ICT) is one of the largest drivers of change in any industry. This is due to rapid advances in technology as well as the increased customer demands. Willingness to adopt ICT rests on a number of reasons including, requirement by

customers that their suppliers link their system as a condition for doing business, reduction of transaction costs, improvement of customer service quality and defensive reaction to competitor's adoption, Thong (1999). Adoption of e-procurement may be hindered by cost of investing in compatible systems, unwillingness to have open approach to tendering and cost of training employees, Davilla et al., (2003). Suppliers with old systems will encounter difficulties in adapting to the new system because of lack of the necessary skills and training to handle the new system. Employees used to the old fashioned way of direct communication will find it hard fitting in the new indirect way of doing things, replacing paper work with online communication. The nature of relationship is also a major factor as the new ICT system will ensure that transparency is kept in the front.

Purchasing Ethics

The purchasing process must be done in an ethical manner by being fair to all involved. Compliance with rules and all set guidelines should be mandatory. Employment of professionals in the procurement department will go a long way in making sure ethical standards are followed. Lack of professionalism such as poor record keeping and inadequate control measures hinders the implementation of ethics in purchasing. Purchasers should be informed of the company's ethical stand through purchasing policies and the same encouraged through incentives and disincentives, to act ethically when faced with purchasing dilemma. These will greatly affect purchaser's perceptions in these situations and promote professionalism.

Gift giving in Kenya is a common practice and therefore making it difficult to differentiate between a bribe and a gift. Lack of clear ethical guidelines also contributes to unethical behavior, lack of top management support, limited resources and the political environment may also contribute to unethical behavior. Managers are more likely to integrate ethics in decision making when there's a strong internal culture combined with training and also when there is pressure from stakeholders to do so. Managers should avoid conflict of interest when giving or receiving gifts and when using company resources for non-business related activities.

Organizational Performance

This is measured by how an organization realizes its objectives, including increasing productivity and reduction of inventory in the short-run and increasing market share in the longer duration. Performance in procurement is linked to resources having naturally different levels of efficiency that enable firms to deliver in a better way to their customers at a given

cost or have the same benefit at a lower cost, Barney (2003). Organizational performance here is compared to performance of other organizations in the same industry. Organizational performance can be measured using return on investment and increase in market share.

Specifications and procurement highly depend on each other. Poor specifications lead to many pitfalls and obstacles for the purchasing department. Quality specifications should include the minimum basic requirements for the consumer, transparent procurement process, assessment of goods to ensure they meet the minimum standards and fair award at the lowest possible cost, Edvardsson (1998). Identifying the minimum basic requirements of the end user, allows for a transparent process of procuring products or services and assessment to ensure specifications are met are the least possible total cost.

Savings in procurement are achieved through better supply chain management and professionalization of the procurement function within organizations. Procurement activities anticipate requirements, source and monitor supplies and this in turn contributes to better organizational performance. Successful procurement practices are those that meet the end user's requirement and value with the available resources. Manpower with effective management skills who follow ethical purchasing procedures and guidelines will ensure successful quality and service delivery to all the stakeholders; for this to be achieved, objectives have to be clear and highest quality standards maintained. Proper qualifications of staff in the procurement department assists in the drafting of correct specifications, this in turn will ensure the organization receives the better quality products, Lysons and Gillingham, (2003).

2.5 Chapter Summary

Procurement practices are strategic functions that work to improve the organization's profitability, pinpoint better suppliers and save on raw material costs. Implementation of lean procurement among small and medium sized enterprises also improves organizational performance. Establishing the relationship between organizational performance and procurement best practice can be measured through customer satisfaction, efficiency and effectiveness, quality, profitability and market share. Customer demands in the supply chain are increasingly becoming more complicated. Procurement must be proactive to adapt to these changes and seize future opportunities before the competition a lean purchasing process must be developed to stay ahead of the competition.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This research adopts a survey design to collect descriptive data from a sample selected from the larger population. This study is facilitated by the use of primary data from both structured and unstructured questionnaires. Secondary data is collected from annual reports and journals. Data was collected, interviews performed and presentations done.

3.2 Research Design

Descriptive research was used in this study. A descriptive research is a research that attempts to gather facts from a population so as to establish the existing status of the respondents in regards to the variables, Mugenda and Mugenda (2003).

A design study is the culmination of a chain of resolutions by a researcher regarding how the research was performed. This study addresses effects of procurement practices on organizational performance.

3.3 Target Population

This is the precise population on which data is needed and in this case they are members of staff from the **Supply Chain Department**; Procurement section, Operations Planning and Logistics, Stores, Weighbridge and the staff from the **Finance Department**; Corporate performance (regulates purchases against budget) and Payables section (pays suppliers) at the East African Portland Cement Company Limited.

Table 3. 1 Target Population

Category	Target population	Percentage
Procurement officers	15	13
Operations Planning and Logistics	13	12
Stores	59	53
Weighbridge	11	10
Corporate performance	3	3
Payables section	10	9
TOTAL	111	100

Source: Author (2017)

3.4 Sampling Design and Procedure

Stratified random sampling technique will be utilized to choose the sample. This is an estimate with precision. This is a sampling technique that relies on probability where the whole population is divided into subsections, then unsystematically selecting the final topics

uniformly from unlike sections. Kothari (2004) states samples of approximately 10% can provide useful reliability. The sample selected was more than 50% of the entire population and therefore ample for the study. This technique has a high statistical accuracy which saves on time and resources. This technique uses the same sampling proportion for each division irrespective of the diversities in population size of the divisions.

Table 3. 2 Sampling Design

Category	Target Population	Sample size	Percentage
Procurement officers	15	8	53
Operations Planning and Logistics	13	7	54
Stores	59	30	51
Weighbridge	11	6	55
Corporate performance	3	2	67
Payables section	10	5	50
TOTAL	111	58	

Source: Author (2017)

3.5 Data Collection Procedures

Primary and secondary data will be gathered. Primary data will be collected using unstructured questionnaire with closed and open ended questions which will have five sections; background information, supplier selection procedures, buyer-supplier relationships, organizational capacity and lastly ethical practices. Structured and unstructured questions saves on time and are easier to analyse. Questionnaires are efficient, cheap and easy to be administered. Secondary data was collected from company publications and annual reports.

3.6 Validity and Reliability

When an assessment evaluates what it was meant to evaluate then it is deemed valid, Kothari (2004). Studies will be carried out to validate the primary data collected. Experts in specific fields of study will be used. This will facilitate the necessary revision and modification thereby enhancing legitimacy. Reliability means there is consistency on the results achieved. A test is considered reliable if the same result is got repeatedly (Cooper and Schindler, 2003).

3.7 Data Analysis and Presentation

Analyzing data involves regulation, organization and clarification of gathered data, Marshall and Ross man (1999). This study will seek to establish the level at which independent variables influence dependent variable. Collected data will be summarized and put into table form, graphs and pie charts for easier presentation and analysis.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND INTERPRETATIONS

4.1 Introduction

Analysis of data, findings and interpretation of results are summarized in this chapter. Data collection came from the Finance and Supply Chain Departments at the East African Portland Cement Company Limited. Data was entirely gathered from questionnaires as the instrument for research, so as to determine the impact procurement practices have on organizational performance within the public sector organizations in Kenya.

4.1.1 Response Rate

The researcher circulated 58 questionnaires, and 46 of the 58 sampled respondents completed and gave back the questionnaires, contributing to a 79% response. A rate of response greater than 60% is considered satisfactory and good for analysis, (Mugenda & Mugenda, 2003). The lack of response for some of the questionnaires could be due to the lack of spare time in the busy environments the respondents operate in. Responses were obtained, analyzed and presented in tables, graphs and charts for ease of presentation.

Table 4.1 Response Rate

Category	Frequency	Percentage
Response	46	79
Non Response	12	21
Total	58	100

Source: Author (2017)

4.2 General Information

This part illustrates the gender, age, academic qualifications, work experience and the positions held by respondents in the company.

4.2.1 Distribution of Respondents by Gender

The outcomes of this research showed that 72 percent of the population sampled were male and 28 percent of employees who responded were female.

Table 4.2 Distribution of Respondents by Gender

Gender	Frequency	Percent
Male	36	72
Female	10	28
Total	46	100

Source: Author (2017)

4.2.2 Distribution of Respondents by Age

The respondents in this research were asked about their age under one of the four categories mentioned below, from 18 to above 51 years. The outcomes were as follows;

Table 4.3 Distribution of Respondents by Age

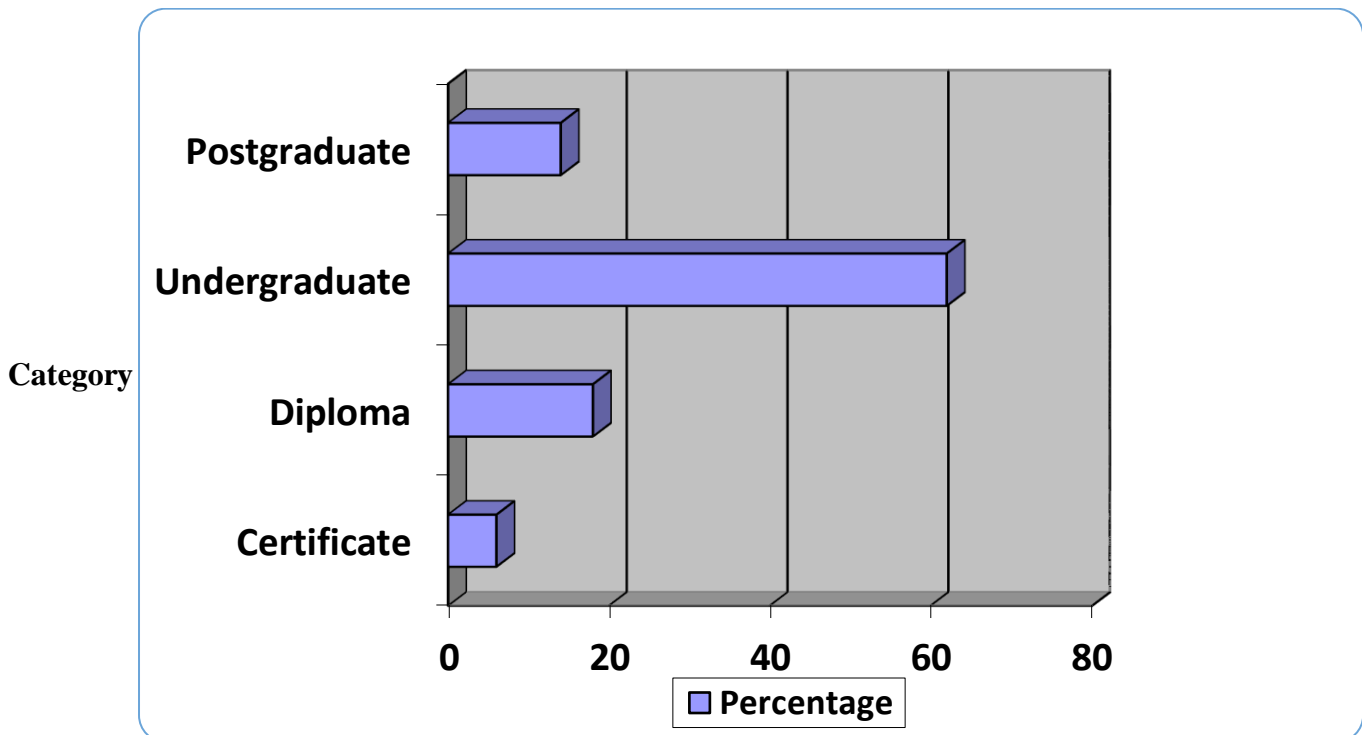
Age Bracket	Frequency	Percent
18 to 30 years	8	17
31 to 40 years	22	48
41 to 50 years	13	28
Above 51 years	3	7
Total	46	100

Source: Author (2017)

4.2.3 Distribution of Respondents by Academic Qualifications

The results from academic qualifications showed that 6 percent of the respondents had Certificates, 18 percent had Diplomas, 62 percent had Undergraduate degrees and 14 percent had Postgraduate degrees. This high level of qualification ensured the procurement department performed efficiently and effectively by using resources in an environmentally friendly manner and keeping away unnecessary expenses.

Figure 4.1 Distribution of Respondents by Academic Qualifications

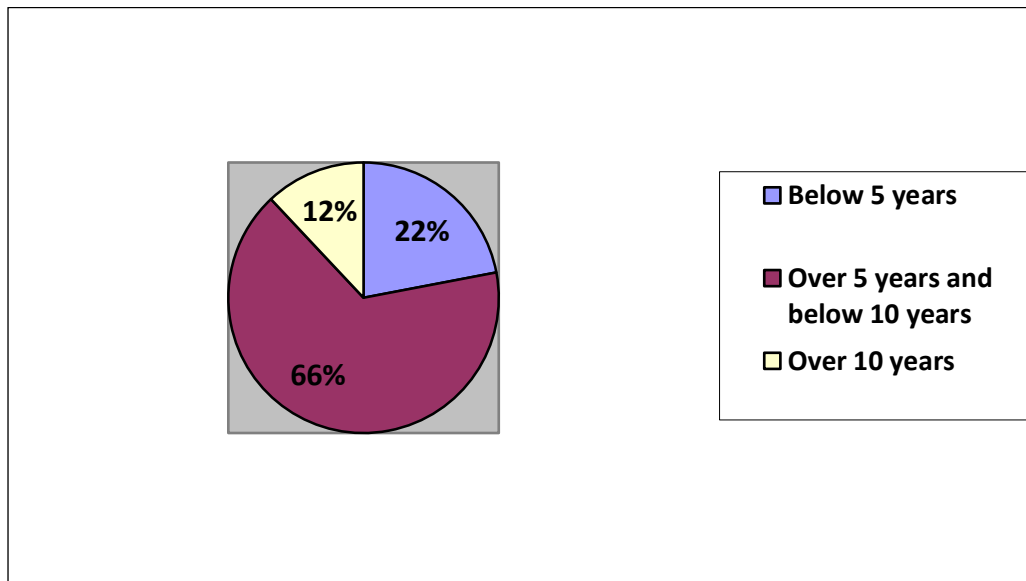


Source: Author (2017)

4.2.4 Distribution of Respondents by Work Experience

The length of continuous service by the respondents were as follows; 22 percent have been working for less than 5 years, 66 percent have been working for more than 5 years and less than 10 years and 12 percent have been working for more than 10 years. This means 78 percent of members of staff have been employed by the company for over 5 years and have fully understood the operations of the institution. This ensures less training by the company and employees perform better with less supervision as they are now used to the tasks they perform.

Figure 4.2 Distribution of Respondents by Work Experience



Source: Author (2017)

4.2.5 Position in the Procurement Department

The respondents were requested to indicate the positions they held in their respective departments; 15 percent indicated they were in managerial positions, 37 percent indicated they were supervisors and 48 percent indicated they were general employees. All positions in procurement were covered in this study and therefore the information provided by the respondents was adequate for the research.

Table 4.4 Position in the Procurement Department

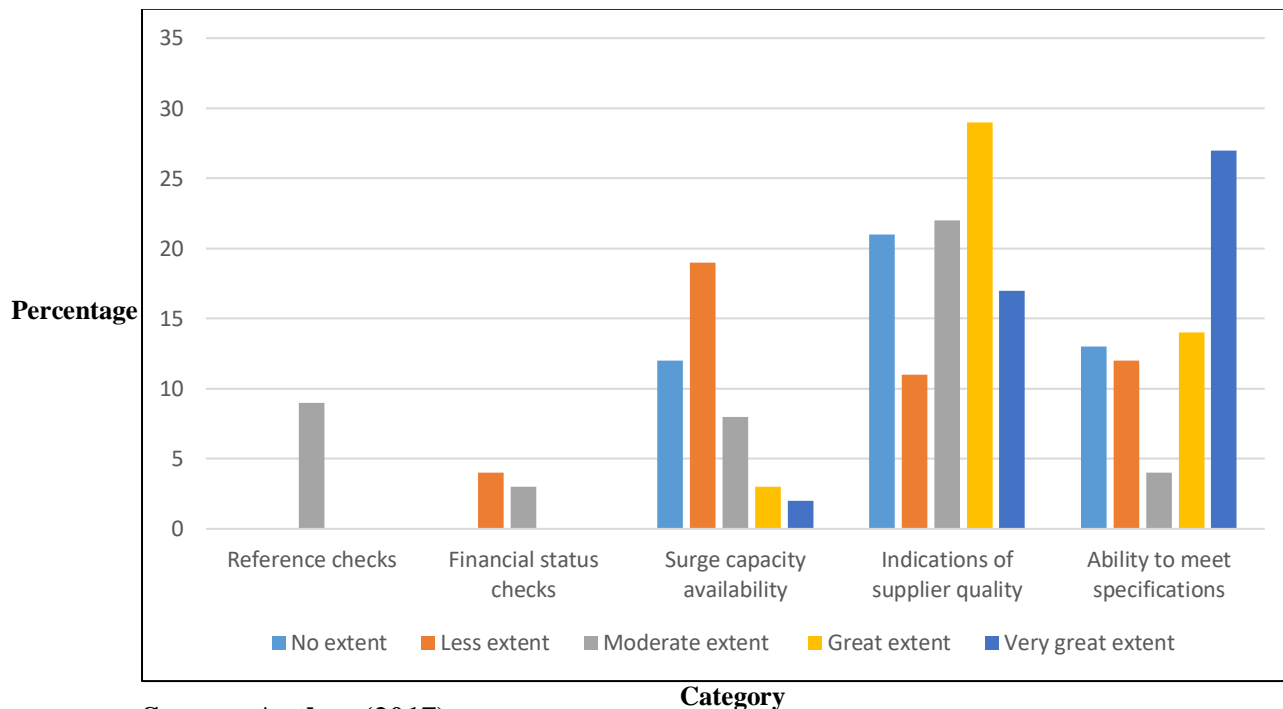
Category	Frequency	Percent
Managerial	7	15
Supervisors	17	37
General employees	22	48
Total	46	100

Source: Author (2017)

4.3 Effects of supplier selection procedures on organizational performance within the public sector in Kenya.

The respondents were asked specific questions on methods they used to select suppliers. Each of the questions asked was assigned the following values; 1 for no extent, 2 for less extent, 3 for moderate extent, 4 for great extent and 5 for very great extent. The table below shows the analysis of the responses obtained.

Figure 4.3 Effects of supplier selection procedures on organizational performance



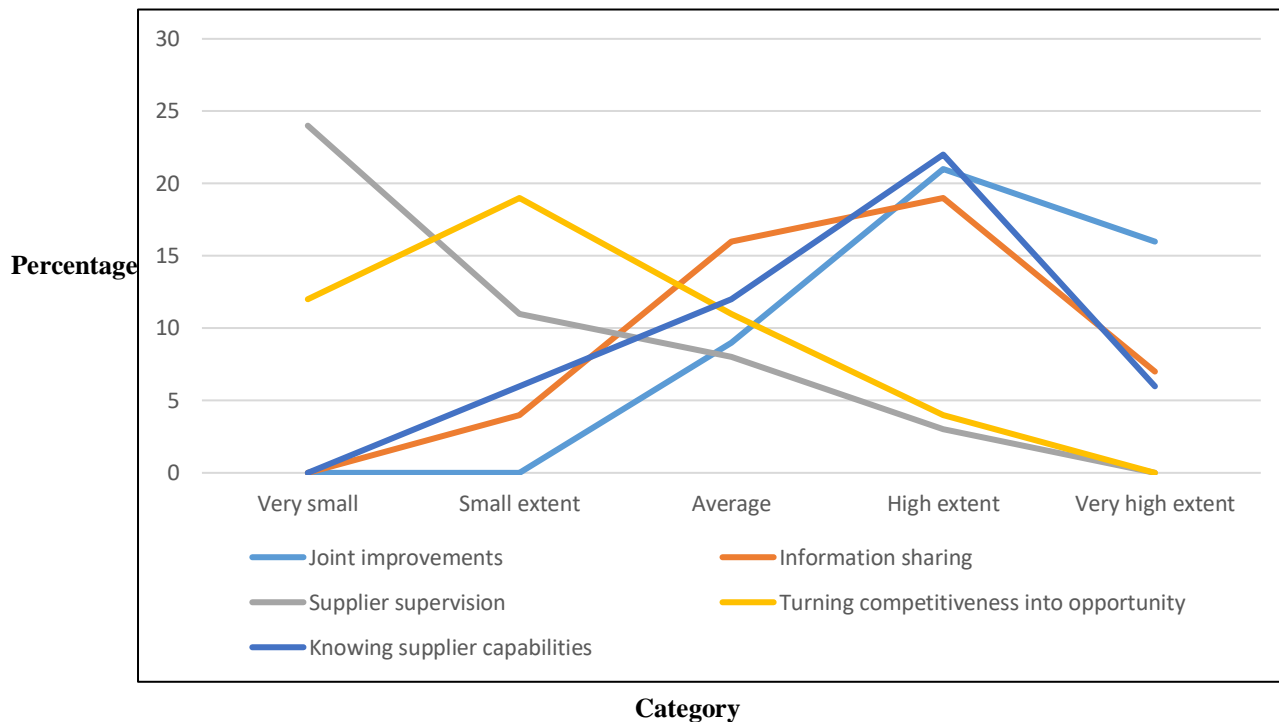
Source: Author (2017)

From the analysis in figure 4.3 above 86% of the respondents agree that indications of supplier quality play a big role in the selection of suppliers, 14% did not agree with this statement. 88% of the respondents believed the ability to meet specifications was a major factor in the selection of suppliers, 12% of the respondents were of the contrary opinion. 91% of the respondents believed financial status checks were not important when selecting suppliers, 9% believed this is an important requirement when selecting suppliers. 89% of the respondents were of the opinion that supplier's ability to bring in extra deliveries on short notice was trivial, 11% believed this to be an important factor.

4.4 Effects of buyer-supplier relationships on organizational performance of government owned institutions.

The research sought to establish how buyer-supplier relationship impacts organizational performance. The findings of this study are detailed below.

Figure 4.4 Effects of buyer-supplier relationship on organizational performance



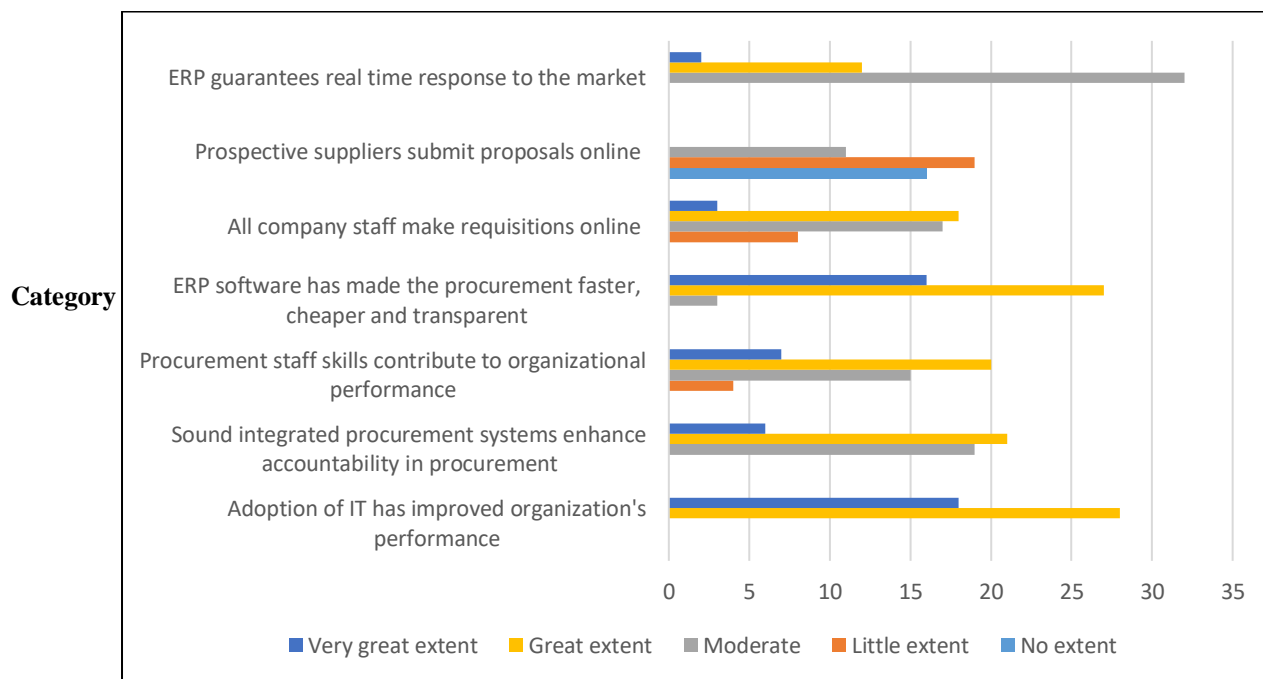
Source: Author (2017)

The research findings above revealed that 80% of the population sampled were of the opinion that joint improvement activities positively influenced the operations of the organization, 20% disagreed with this. 57% believed sharing of information intensively but selectively increased organizational performance, while 43% disagreed. 76% of the respondents disagreed that supervising suppliers impacts positively on organizational performance, only 24% agreed with this statement. 33% of the respondents believed the organization turned supplier rivalry into opportunity, 67% of the respondents did not believe this statement to be true. 61% of the respondents believed the organization understood how suppliers work and 39% did not believe this statement to be true.

4.5 Effects of procurement on organizational performance of publicly owned enterprises in Kenya

The study sought to know how organizational capacity impacts and enhances procurement. The respondents indicated to what extent the following procurement practices contributed to organizational performance. The results were as follows;

Figure 4.5 Effects of Procurement Procedures on Organizational Capacity



Source: Author (2017)

Percentage

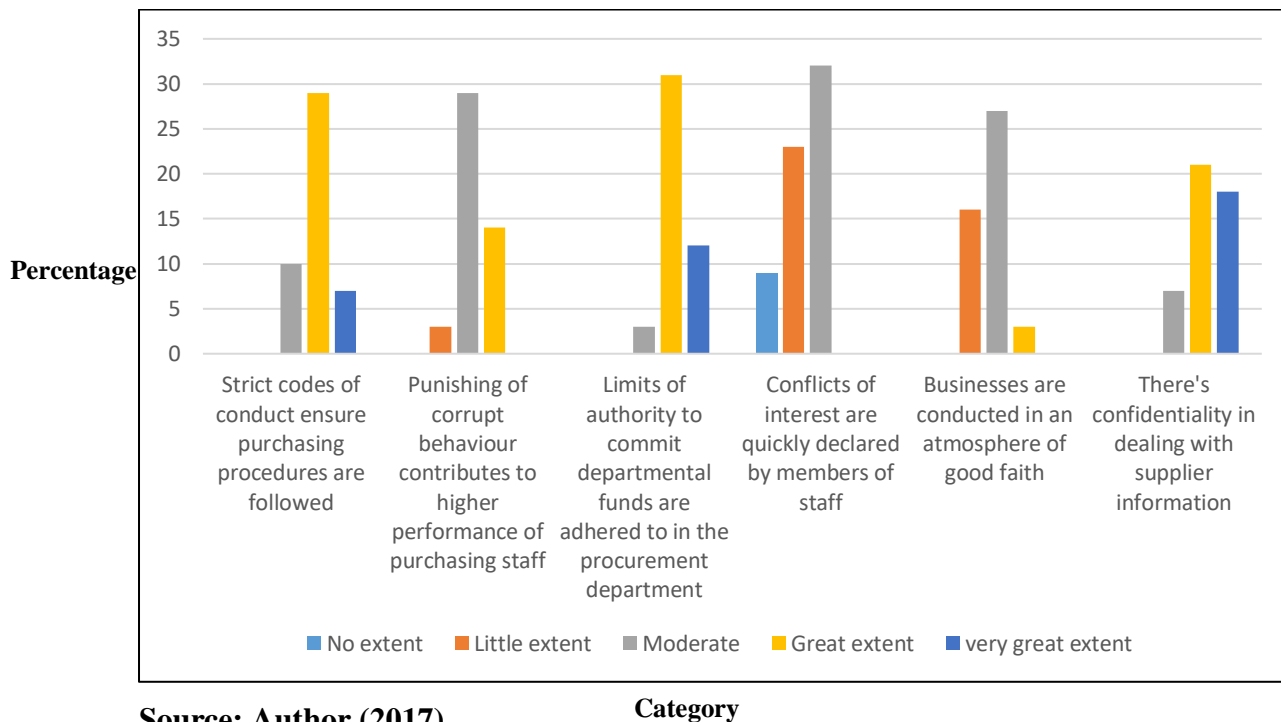
From the analysis in figure 4.5 above 93% of the respondents agree that ERP has made procurement faster, cheaper and transparent; while 7% disagree with this statement. 59% of the respondents also agree that integrated procurement systems enhance accountability and improve organizational performance while 41% of the respondents do not agree this statement to be true. Regarding the making of requisitions online, 54% of the respondents do not agree all the organization's staff follow this procedure, 46% on the other hand are of the affirmative.

24% of the respondents are of the opinion that prospective suppliers use the online platform to submit their proposals, while 76% of the respondents disagreed with this statement. On the issue of real time response to the market through the use of ERP, 60% of the respondents did not believe ERP contributed to this while 40% believed ERP has made great steps towards the achievement of this.

4.6 Impact of ethical practices on procurement procedures

Ethical practices in procurement involves transparency, accountability, fairness and proactivity. Accountability constitutes a central pillar of every public procurement system. Transparency in public procurement means information must be available to all stakeholders, and fairness means decision making should be unbiased and all bids considered on the basis of their compliance with the terms of the requested documents.

Figure 4.6 Impact of ethical practices on procurement procedures



Source: Author (2017)

The study results illustrated in the figure above show that 78% of the population sampled agree that strict codes of conduct ensure purchasing procedures are followed, 22% disagree with the statement. 30% of the respondents believe that punishing corrupt behaviour increases staff performance, 70% don't believe this to be true. 93% believe limits of authority are adhered to, 7% believe limits of authority are not adhered to. In regards to conflict of interest, 30% of respondents concur that they are declared and 70% believe they are not declared. 7% of respondents agree that businesses are done in good faith, but 93% believe there is no good faith when conducting businesses. When dealing with supplier information 85% of respondents believe confidentiality is key, 15% disagree with this statement.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter summarizes findings of the research on how the performance of organizations is affected by procurement procedures. Conclusions and recommendations will be outlined together with offers for additional research.

5.1 Summary of the findings

5.1.1 How supplier selection procedures impact organizational performance within the public sector.

The outcomes of the research revealed the importance of purchasing function to the organization. Organizational success greatly depends on the success of procurement and this makes supplier selection an important function of any organization. Selection of the right supplier ensures quality products and services that conform to buyer standards and specifications. Selecting the right supplier makes it easier for the organization to achieve good quality, the right specifications and the necessary technical support when required.

From the study, the respondents indicated that financial status checks were not important. This mentality should be changed as suppliers with cash flow problems will find it difficult obtaining materials and late delivery times may be experienced. Supplier's ability to bring in extra products or offer additional services at short notice received an approval rate of 11%. This rating should be increased because of the dynamic nature of business so as to keep the business competitive. The most important purchasing decisions focus on selecting the correct suppliers.

5.1.2 How buyer-supplier relationships affect organizational performance of government owned enterprises.

The findings also indicate that through strategic partnerships in the form of joint improvement activities and understanding supplier capabilities, the organization has been able to enhance continuity of supply. Continuous improvement of processes along the supply chain has led to cost reduction and better relationship that has in turn reduced conflicts in the supply chain, and when they occur due to unavoidable circumstances, they are solved amicably. Sharing of information along the supply chain has strengthened long-term cooperation and coordination helping the organization attain better levels of productivity and competitiveness which are difficult to achieve through normal supplier relationships.

5.1.3 How procurement practices affect organizational performance in government owned enterprises.

The study confirmed that procurement practices actually contribute to increased

organizational performance. Procurement practices enable organizations achieve differentiation through better customer service and reduced lead times. The findings also reveal how the use of Enterprise Resource Planning (ERP) has made it easier for the procurement department to handle purchases and both internal and external customers in a more efficient and cost effective way; but despite the introduction of this technology not all members of staff utilize the online requisition system as some of the purchase requisitions are still being done manually. The study further revealed that the ERP software is not being used to its optimum. Some employees still find it challenging to use the system and more internal training needs to be performed to improve on this. Despite the very efficient use of ERP, the company does not have a fully functional website. A fully functional website could have made it easier for the organization to post specifications of the products they want to purchase online, therefore easing the movement of information from source to end user and promoting transparency across the board. Suppliers receive requests for quotation and order confirmations through their private emails, and this can in turn encourage unfairness as the information is not available for viewing to all prospective suppliers.

Procurement has enhanced the need to purchase the products according to the detailed specifications and required quality standards. This has increased the efficiency of the supply chain by reducing costs incurred from unmet specifications and the return or use of goods of poor quality. It is also clear that to a great extent accountability and transparency in procurement through the use of sound integrated procurement systems has greatly improved the movement of information from source to end user and in turn enhanced organizational performance.

Better qualifications in the procurement department helped to increase operational efficiency and inspire labour productivity. Ethics and culture in the organization has to a high extent been adopted through the implementation of strict codes of conduct, punishment of corrupt behaviour and high adherence to limits of authority in the purchasing department. This has highly promoted efficiency in the organization and improved the processes in the Supply Chain.

5.2 Conclusions

The research brought to light the connection between procurement procedures and the performance of an organization. Proper structures and systems in procurement ensured transparency, accountability, reduced costs and improved quality and specifications. Continuity of the workforce greatly contributed to organizational performance. More than 50

percent of the members of staff in procurement have worked in the organization for more than 5 years. This level of staff retention means waste is able to be minimized and resources are used to their optimum through increased knowledge gained over the long duration. More training on technology acceptance and use is still needed for the members of staff. Continuous improvement of skills especially in the Information Technology field should be promoted as the industry is very dynamic.

Finally, for an organization to require its workforce to uphold ethical values, it should itself lead by example and uphold the same values with equity and fairness. There should not be any unnecessary interference from the organization heads on procurement processes.

5.3 Recommendations

The company's website should be revived and updated with current information. Suppliers should be communicated to using the company's website and their responses received in the same manner to ensure competitiveness, coverage of a large number of potential suppliers, transparency in the procurement process and consistency in the way specifications are received.

An in house department with competent professionals dealing specifically in employee training should be created. This will in turn save on costs incurred from outsourcing and enable members of staff access training at any time from individuals they can relate to. This requires top management support and willingness.

5.4 Limitations of the Study

There was a high degree of confidentiality among some of the respondents who were unwilling to provide information. Busy schedules from some members of staff made it difficult for them to participate in the study.

5.5 Suggestions for Further Research

An equivalent research should be performed for private sector companies to enable the creation of benchmarks, and the same should also be done for companies in the service industry for generalization purposes.

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INTRODUCTORY LETTER

Dear Respondent,

I am an undergraduate student at the Management University of Africa undertaking an Undergraduate Degree in Management and Leadership. Kindly spare some time to fill the attached questionnaire for which I will be very grateful.

This research questionnaire is for the purpose of collecting information on **the effects of procurement practices on organizational performance within the public sector: A case of East African Portland Cement Company Limited**. The response from this questionnaire will be used purely for academic purposes. You need not include your name. Any additional information that you might feel is necessary for this study is welcome.

I _____ have agreed to participate in the study.

Signature (Do not indicate your name)

Thanks in advance for your support.

Regards,

Thomas Rono
The Management University of Africa Student

APPENDICES

Appendix 1: Questionnaire

Please tick (✓) the box that matches your answer to the questions and give the answers in the spaces provided as appropriate.

Section A: Background Information

1. Gender of respondent

Female [] Male []

2. Respondent's age

18 to 30 years [] 31 to 40 years [] 41 to 50 years [] above 51 years []

3. Highest level of qualification

Certificate [] Diploma [] Undergraduate [] Postgraduate []

4. Number of years worked in;

Supply Chain Department _____ years

Procurement [] Operations planning & logistics [] Stores [] Weighbridge []

Finance Department _____ years

Corporate performance [] Payables section []

5. What title do you hold _____

Section B: Supplier Selection Procedures

Indicate how supplier selection procedures affect organizational performance

Kindly point out the level of extent to which you approve with the following statements

- 1) No extent
- 2) Less extent
- 3) Moderate extent
- 4) Great extent
- 5) Very great extent

Supplier selection procedures	1	2	3	4	5
Reference checks					
Contacting previous customers to confirm supply performance and obedience to contract					
Financial status checks					
Possibility supplier will announce bankruptcy prior to satisfying organization requirements					
Surge capacity					
Supplier's ability to add delivery on short notice					
Indications of supplier quality					
ISO 9000 and 14000 certification					
Ability to meet specifications					
Rigorous checks of supplier's capabilities					

Section C: Buyer-Supplier Relationships

How does buyer-supplier relationship affect organizational performance?

- 1) Very small
- 2) Small extent
- 3) Average
- 4) High extent
- 5) Very high extent

Buyer-supplier relationship	1	2	3	4	5
Conducting joint improvements					
Information sharing					
Supplier supervision					
Turning competitiveness into opportunity					
Knowing supplier capabilities					

Section D: Organizational Capacity

Indicate how procurement practices affect organizational performance.

Indicate the level to which you approve of the following statements

- 1) No extent
- 2) Little extent
- 3) Moderate
- 4) Great extent
- 5) Very great extent

Organizational capacity	1	2	3	4	5
Adopting Information Technology has improved the organization performance					
Sound integrated procurement systems enhance accountability in procurement					
Procurement staff skills contribute to organizational performance					
Enterprise Resource Planning (ERP) software has made the procurement process faster, cheaper and transparent					
All company staff make requisitions online					
Prospective suppliers submit proposals online					
ERP guarantees real time response to the market					

Section E: Ethical Practices

Indicate how ethical practices in procurement affect organizational performance.

Kindly indicate the level to which you approve the following assertions.

- 1) No extent
- 2) Little extent
- 3) Moderate
- 4) Great extent
- 5) Very great extent

Ethical Practices	1	2	3	4	5
Strict codes of conduct ensure purchasing procedures are followed					
Punishing of corrupt behaviour contributes to higher performance by purchasing staff					
Limits of authority to commit departmental funds are adhered to in the procurement department					
Conflicts of interest are quickly declared by members of staff					
Businesses are conducted in an atmosphere of good faith					
There's confidentiality in dealing with supplier information					